

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 1, 2018/ 2019

**BFN2084 – PERSONAL FINANCE**

(All Sections / Groups)

24 OCTOBER 2018  
9:00 AM – 11:00AM  
(2 Hours)

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### INSTRUCTIONS TO STUDENT

1. This Question paper consists of 6 pages with **Part A: MCQ and Part B: ESSAY**
2. Answer **ALL** questions and the distribution of the marks for each question is given.
3. Please write all your answers in the **Answer Booklet** provided.

**Please Answer All the Questions****Part A: Multiple Choice Questions (40 marks)**

- 1) An all-purpose account that provides several services is a(n)
- A) NOW account.
  - B) asset management account.
  - C) EFT account.
  - D) mutual fund.
  - E) money market account.
- 2) Savings compounded \_\_\_\_\_ would have the highest effective yield.
- A) daily
  - B) annually
  - C) semi-annually
  - D) monthly
  - E) weekly
- 3) Debt-to-equity ratio is
- A) calculated by dividing total liabilities by net worth.
  - B) calculated by dividing monthly debt payments by net monthly income.
  - C) determined by dividing your assets by liabilities.
  - D) a useless ratio for determining your credit capacity.
  - E) rarely used by creditors in determining credit worthiness.

**Continued...**

- 4) A loan officer is examining your income and the amount of your existing debt payments in deciding whether to make a loan to you today. Which aspect of the 5Cs of lending is loan officer most likely looking at?
- A) Character
  - B) Capacity
  - C) Capital
  - D) Collateral
  - E) Conditions
- 5) One of the drawbacks of borrowing from parents or family members is that such loans are
- A) more expensive.
  - B) never obtainable.
  - C) family troublemakers.
  - D) the least expensive.
  - E) illegal under the IRS code.
- 6) What is the APR for a RM100 loan when the loan is paid off in 12 equal monthly payments at the stated annual interest rate of 10 percent?
- A) 10 percent
  - B) 15 percent
  - C) 18.5 percent
  - D) 20.5 percent
  - E) 25 percent
- 7) A common opportunity cost associated with renting is
- A) interest lost on the down payment.
  - B) interest lost on closing costs.
  - C) property taxes.
  - D) maintenance costs.
  - E) interest lost on the security deposit.

**Continued...**

- 8) A cooperative housing arrangement involves
- A) government-supported rental units.
  - B) a nonprofit organization.
  - C) individual ownership of a living unit in a building.
  - D) factory built and on-site assembly.
  - E) housing units owned by a real estate developer.
- 9) A real estate agent can best assist a homebuyer by
- A) obtaining funds for a down payment.
  - B) setting the purchase price.
  - C) offering new home warranties.
  - D) assisting in getting a mortgage.
  - E) setting the selling price.
- 10) Possible losses due to negligence resulting in bodily harm or property damage to others are called \_\_\_\_\_ risks.
- A) speculative
  - B) liability
  - C) property
  - D) personal
  - E) commercial
- 11) Which of the following would be covered by a home insurance policy?
- A) Hospital expenses for surgery
  - B) Damage to another person's car when driving
  - C) Accidental injury to a coworker on the job
  - D) Wind damage to your roof
  - E) Theft of business supplies from your office

Continued...

- 12) Georgette Valentine has expensive photography equipment for use in her hobby. Which of the following coverages would pay for damage or theft of this equipment?
- A) An umbrella policy
  - B) A household inventory
  - C) Additional living expense coverage
  - D) A personal property floater
  - E) A coinsurance floater
- 13) Kelly and Bob Walton recently purchased a new home and desire coverage for all causes of loss or damage except those specially excluded by the policy. They should obtain the \_\_\_\_\_ form of homeowner's policy.
- A) basic
  - B) broad
  - C) special
  - D) modified coverage
  - E) condominium
- 14) Which of the following is a system in which drivers involved in an accident collect medical expenses, lost wages, and related injury costs from their own insurance company?
- A) Assigned risk pool
  - B) Financial responsibility coverage
  - C) Comprehensive system
  - D) No-fault insurance
  - E) Uninsured motorists protection

**Continued...**

- 15) Why have a growing number of students been without health insurance?
- A) Because insurance companies refuse to insure them
  - B) Because students are young and healthy
  - C) Because students do not need health insurance
  - D) Because students do not care if they get sick
  - E) Because an older student population is not covered by family policies
- 16) Which type of insurance provides for the partial replacement of income lost by employees as a result of an accident, illness, etc.?
- A) Comprehensive major medical
  - B) Major medical expense
  - C) Physician's expense
  - D) Disability income
  - E) Surgical expense
- 17) What factors should you consider before you buy insurance?
- A) Your present and future sources of income
  - B) Your savings
  - C) Group life insurance
  - D) Pension benefits
  - E) All of the above factors should be considered.
- 18) The value of the mutual fund's portfolio minus the mutual fund's liabilities divided by the number of shares outstanding is called the
- A) book value.
  - B) outstanding balance.
  - C) per share value.
  - D) net asset value.
  - E) accounting value.

Continued...

- 19) Aside from a home, the real property investment most widely favored by the small investor is
- A) a post office building.
  - B) land.
  - C) a building with 20 apartments.
  - D) a condominium.
  - E) the duplex, four-plex, or small apartment building.
- 20) Which one of the following real-estate investments provides some diversification?
- A) A single-family dwelling
  - B) An apartment building
  - C) Raw land
  - D) A second mortgage
  - E) A real estate investment trust (REIT.)

**Part B: Essay Questions (60 marks)**

**Question 1: (20 marks)**

- a) What are the risks and rewards of investing in precious metals, gems, and collectibles? (Elaborate your answers with examples.) (10 marks)
- b) Explain the important steps in retirement planning? (10 marks)

**Question 2: (20 marks)**

What is estate planning? Explain the personal aspects of estate planning.

**Question 3: (20 marks)**

Cindy and John Appleby just inherited RM30,000 and would like to invest the money in a conservative mutual fund. Since they have never invested in mutual funds, they ask for your help. In your own words, describe the factors that can be used to evaluate a mutual fund investment.

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